

ADMINISTRATOR'S MESSAGE


Southwestern Power Administration has operated for over sixty years with the underlying goal of meeting its public and business responsibilities.

We help protect National and economic security by contributing to the diverse supply of domestically produced energy. We operate and maintain a safe and reliable transmission system, ensuring all power is marketed with preference to public bodies and cooperatives. We focus on repaying the investment of the American taxpayers in the hydropower facilities. We encourage competitive markets through open access to transmission lines. And we protect the hydropower facilities and the valuable communications and information technology assets associated with them.

The reasons we do this are clear. First and foremost, we want to help decrease dependency on foreign energy by operating our system in the most effective and cost efficient manner, so that no energy is wasted. We also want to promote reliability within our region so that power outages and other interruptions can be avoided. And finally, we have a duty to the American people to repay the investment in the facilities and protect our Nation's assets from hostile acts.

Southwestern's Strategic Plan outlines how we will keep meeting these public responsibilities by marketing and delivering Federal hydropower. The plan describes Southwestern's goals for the next year and beyond, focusing on clear performance measurements to monitor our progress.

We are committed to reaching these goals, and to supporting the goals and objectives defined in the Department of Energy's Strategic Plan, the National Energy Policy, and the President's Management Agenda. By targeting these goals and objectives and making them a reality, we will do our part in securing America's energy future.


Michael A. Deihl,
Administrator

SOUTHWESTERN POWER ADMINISTRATION

STRATEGIC PLAN

JULY 2006



United States
Department of Energy



MARKET ... all available hydroelectric power from U.S. Army Corps of Engineers (Corps) dams, providing economic and environmental benefits to the Southwestern region at cost-based rates sufficient to repay all power costs to the American taxpayer, while balancing power needs with the diverse interests of water resource users.

#1 Market all available power and energy.

- Market 100% of firm capacity and associated energy in accordance with Southwestern's Marketing Plan.
- Give preference to public bodies and cooperatives.

#2 Provide economic benefits to the region.

- Produce \$462 million in average annual economic benefits as adjusted for inflation.

#3 Generate environmental benefits for the region.

- Save 10.7 million barrels of oil, 3.1 million tons of coal, or 65.6 billion cubic feet of gas annually under average water conditions.
- Prevent greenhouse emissions of 5.4 million tons of carbon dioxide, 16.2 thousand tons of sulfur dioxide, and 12.9 thousand tons of nitrogen oxide annually under average water conditions.

#4 Achieve and maintain financial integrity.

- Repay an average of 1.0% on the Federal investment each year.
- Repay an average of \$17.4 million annually under average water conditions to meet required payments as they come due and assure that all aged investments will be repaid on a timely basis, now and in the future.*

#5 Produce power at the lowest cost-based rates possible.

- Assure that the average annual change in operating costs per kilowatt-hour does not exceed the average annual rate of inflation.
- Assure that the average O&M cost per kilowatt-hour does not exceed the National average for hydropower.*

DOE ENERGY STRATEGIC GOAL

Promoting America's energy security through reliable, clean, and affordable energy.

SOUTHWESTERN PROGRAM GOAL

Provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

Southwestern remains committed to meeting its financial obligations while providing reliable, low-cost energy. For over sixty years, we have marketed all of the hydroelectric energy available from Corps projects within our marketing area - repaying power costs and providing affordable, environmentally clean energy along the way. We look forward to continuing this service and maintaining our contribution to the environmental and economic well-being of the Nation.

* These long-term performance measures are included in Southwestern's Annual Congressional Budget and in the Program Assessment Rating Tool (PART) of the Office of Management and Budget (OMB).

DELIVER ... electricity through a reliable Federal transmission system which meets utility safety standards and is operated and maintained cost-effectively, assuring physical and cyber security, while encouraging competition through open access to transmission facilities.

- #1 Operate the power system in the most effective and cost-efficient manner.**
 - Meet the minimum North American Electric Reliability Council (NERC) Control Performance Standards (CPS 1 and CPS 2) and achieve the industry average for operating efficiency.*
- #2 Maintain transmission system reliability.**
 - Operate the transmission system so there are no more than three preventable outages annually.*
 - Attain a System Average Interruption Duration Index (SAIDI) of less than 150 minutes per year of total preventable outages.
- #3 Operate and maintain the transmission system safely.**
 - Achieve an annual recordable accident frequency rate lower than the industry average.
- #4 Assure the security of Southwestern's power system, facilities, and information technology systems.**
 - Monitor Southwestern's critical physical infrastructure assets to identify transmission system vulnerabilities and determine appropriate actions to deter, respond to, and recover from a security breach.
 - Monitor and assess Southwestern's computer systems to assure that the systems are secure, operate effectively, and provide for appropriate confidentiality, integrity, availability, and operational contingency.
- #5 Encourage competitive electric power markets through open access to transmission facilities.**
 - Meet all NERC interconnection standards and requirements so that power systems can be interconnected to relieve transmission constraints.
 - Monitor and participate in regional initiatives to maintain the reliability and security of the National grid and address potential bottlenecks.
 - Participate in a Regional Transmission Organization as long as it is economically viable to continue participation and Southwestern's compliance with Federal statutes and regulations can be maintained.



Southwestern has always provided dependable service-on-demand to our customers. As a transmission owner and operator, we know that delivery of reliable energy is vital to the economic and domestic security of the Nation. Therefore, we will continue to support competitive markets and to operate our system in the safest, most effective, most cost-efficient manner possible, so that the delivery of reliable energy and the stability of our National transmission system will remain secure.

MISSION

Southwestern Power Administration's mission is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This is accomplished by maximizing the use of Federal assets to repay the Federal investment and participating with other water resource users in an effort to balance diverse interests with power needs within broad parameters set by the U.S. Army Corps of Engineers, and implementing public policy.

VISION

Southwestern has an open and trusting partnership with its customers in meeting their business expectations for operation of the Federal hydropower system, and with the American public in meeting its financial obligations while providing good stewardship of regional water resources. The Southwestern work force is cost-conscious, team-based, and empowered to meet customer expectations.

PROGRAM

EVALUATION

As part of an ongoing strategic planning process, Southwestern regularly conducts internal reviews of its operations to measure overall effectiveness. Our Program Goal, which emphasizes customer service, reliability, and accountability in meeting our financial obligations, mirrors the performance measures of our Strategic Plan. We track our progress quarterly to assure our continued success.

Repayment of the Federal investment is a measure we use to meet our responsibilities to the American taxpayer. Each year, we conduct a thorough analysis to assure our rates will provide sufficient revenues to cover costs. These repayment studies are subject to customer, DOE, and Federal Energy Regulatory Commission review. Additionally, we gauge the quality of our service through periodic customer surveys, which provide valuable feedback that we use to improve performance. We also take part in audits and peer reviews of critical infrastructure systems to keep our information and communication assets secure.

Our dispatching and transmission operations are regularly reviewed by NERC and the Regional Reliability Council to assure that regional operational standards are met. Additional reviews are conducted by the DOE Inspector General, the Government Accountability Office, the Office of Personnel Management, DOE Administrative Staff, and independent auditors of Southwestern's financial system. In 2002, Southwestern was among the first of Federal agencies to participate in a formal program assessment using OMB's PART. The initial scores and findings were provided to Congress, and follow-up program assessment is ongoing.

Southwestern routinely monitors and adjusts our performance according to the internal and external measures listed above, as well as other measures that may contribute to our success, improving our operational performance and meeting our public and business responsibilities.

ASSUMPTIONS

There are many factors in the technically complex and competitive utility industry that cannot be planned for. Varying amounts of rainfall, regulatory actions that may affect operations, potential reallocations of the water resources within the region, fluctuations in costs associated with hydropower project operations and maintenance expenses, and delays or reductions in the availability of adequate funding to run an effective and efficient program — these are variables that Southwestern must deal with annually. However, regardless of any outside factors that may affect its performance, Southwestern remains committed to meeting its public responsibilities by marketing and delivering reliable, affordable, and environmentally clean hydropower, and doing its part to reduce the need for imported energy.

CORPORATE VALUES

- We believe our employees are our most important resource.
- We meet our financial obligations to the American public.
- We give customers' power needs top priority.
- We provide the American public responsible stewardship of the Nation's water resources and environment.
- We treat everyone with courtesy, respect, and honesty, while recognizing individual needs.
- We meet expectations for quality, costs, and schedules, using good business practices.
- We help each other develop professionally.
- We maintain a safe and productive work environment.

STAKEHOLDERS

- Our Customers
- The Department of Energy
- Federal and contract employees
- Congress and the American public
- The utility industry
- Water resource interest groups
- The U.S. Army Corps of Engineers
- The Office of Management and Budget
- Other Federal agencies

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